

INFORMATION SHEET

COST OF LIVING INCREASES (COLA'S)

CSRS & FERS

Fax-Back #260

CSRS COLA'S

The annual cost-of-living increase is based on the rise in the Consumer Price Index (CPI) computed by the Department of Labor.

EFFECTIVE DATE

- Normally, the rates are posted December 1 of each year, payable in the January 1 annuity check.

FIRST COLA

- An annuitant's first COLA is prorated based on the number of months on the annuity roll prior to the COLA.
- A month is credited only if the annuity commenced on or before the last day of the month.
- The full COLA as prescribed by law will be received each year thereafter.

Example of Prorated "first" COLA:

If you retire July 1st, you are on the annuity rolls from July through November, or 5 months (count to Dec 1). The annuitant will receive:

$\frac{5}{12}$ X COLA Rate for the first year. This increase will be received in the January annuity check.

FERS COLA'S

Cost of Living Adjustments (COLAs) increase the amount of your monthly annuity. Under the FERS law, a CSRS component will be increased under the rules governing COLAs for retirees of the Civil Service Retirement System; for the FERS component, the rules are very different.

CSRS COLA RULES (Apply only to a CSRS Component)

- *Effective Date of Increase* - December 1 of each year; payment of COLAs in January.
- *Amount of COLA* - Normally equals the percentage change in the Consumer Price Index (CPI) during the past year. Specified as CSRS COLA.
- *Initial COLA* - Effective on December 1 after annuity begins. Prorated, based on the number of months you were entitled to an annuity prior to effective date of increase (December 1). (Note: Even though the COLA is not actually payable until January 1, the COLA is prorated based on your status as of December 1.)

FERS COLA RULES (only paid at age 62 or older)

- *Effective date of Increase* - December 1 of each year.
- *Amount of COLA* - Tied to the increase in the CPI during the year preceding the COLA under the following schedule:

<u>Change in CPI</u>	<u>% of COLA</u>
0%	None
2% or less	Same % as CPI increase
2% to 3%	2%
3% or more	Change in CPI minus 1%
- *Initial COLA* - FERS COLA's apply to retirees who were age 62 as of December 1. FERS annuitants who are not eligible to receive a COLA during their first year (or more) on the annuity roll, the initial COLA received is the full COLA without proration. The annuitants who fall in this category are annuitants who retired under age 62 and their annuity commenced at least one year prior to reaching age 62, or disability annuitants whose annuity benefits are based on 60 percent of average pay. The COLA applies to the basic FERS annuity only, not the FERS Annuity Supplement.

Exceptions:

1. COLA's are posted prior to age 62 and are effective on December 1 after the annuity begins for employees retiring under the special provisions for:
 - Air Traffic Controllers/Law Enforcement Officers/Firefighters,
 - Military Technicians who no longer satisfy the requirements of the position due to disability, and
 - Spouse, former spouse, and insurable interest survivor annuitants.
2. Disability Annuity - COLA's are payable to disability annuitants without regard to their age. However, COLA's are not payable on FERS disability annuities during the annuitant's first year if the annuity rate is based on 60% of the average salary. COLA's are payable, however, during the first year if the annuitant's rate is based on an earned benefit or the annuity is redetermined because the annuitant has reached age 62.

Note: Under FERS, children's annuities are increased by the CSRS COLA rather than the FERS provisions.